

U.S. Army

FY 2006 Mid-Year Financial Statement

CFO Strategic Plan IPR

April 27, 2006



Agenda

- Briefing Guidelines
- Army Financial Statements
- Financial Statement Analysis
- Overview of Material Weaknesses
- Financial Management Improvements



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Briefing Guidelines

- High level description of the organization (Mission, Personnel, Funding)
- Top 5 business events causing significant variances in the financial statements
- Entities undergoing audits shall discuss:
 - Findings preventing an unqualified opinion
 - Status of Material Weaknesses
 - Type of audit opinion expected on current fiscal year financial statements
- Financial improvement efforts
- Status of OMB Circular A-123



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Principal Financial Statements

- **Balance Sheet** - This statement presents the assets, liabilities, and net position for an entity.
- **Statement of Net Cost** - This statement presents the cost of operating the various Army mission operations.
- **Statement of Changes in Net Position** - This statement presents those accounting items that caused the net position section of the balance sheet to change.
- **Statement of Budgetary Resources** - This statement provides information on Army budgetary financing accounts and the status or remaining balances of those accounts.
- **Statement of Financing** - This is a reconciling statement that tracks the relationship between the proprietary accounts and the budgetary accounts of the Army.
- **Statement of Custodial Activity** - The statement represents the assets the U.S. Government seized from the Iraqi government during Operation Iraqi Freedom that will be used in support of the Iraqi people.



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Financial Statement Analysis: General Fund

2nd Quarter, Balance Sheet

(\$ in Millions)

	FY 2006	FY 2005	Change	% Change
Fund Balance with Treasury	\$ 137,804	\$ 120,987	16,817	14%
Investments	3	4	(0)	-3%
Accounts Receivable	1,243	1,035	208	20%
Other Assets	5,010	4,029	981	24%
Cash & Other Monetary Assets	1,422	1,571	(149)	-9%
Inventory	37,625	35,901	1,724	5%
General PP&E	123,181	114,542	8,639	8%
Total Assets	\$ 306,288	\$ 278,069	28,220	10%
Accounts Payable	12,203	11,741	462	4%
Environmental Liabilities	39,038	39,087	(49)	0%
Other Liabilities	9,875	12,116	(2,241)	-18%
Actuarial Liabilities	1,664	1,633	31	2%
Loan Guarantee Liability	1	11	(10)	-91%
Total Liabilities	\$ 62,781	\$ 64,588	(1,807)	-3%
Total Net Position	\$ 243,508	\$ 213,481	30,027	



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Financial Statement Analysis: General Fund

Note 10 - General Property, Plant & Equipment

(\$ in Millions)

	FY 2006		FY 2006	FY 2005	%
	Acquisition		Net	Net	Change
	Value	Accum. Depr.			
Land	\$ 479	N/A	\$ 479	\$ 465	3%
Buildings, Structures, and Facilities	44,372	(28,868)	15,504	15,035	3%
Leasehold Improvements	13	(10)	3	1	129%
Software	769	(215)	553	284	95%
General Equipment	3,320	(2,101)	1,219	787	55%
Military Equipment	412,110	(313,400)	98,710	92,430	7%
Assets under Capital Lease	167	(143)	24	32	-25%
CIP	6,669	N/A	6,669	5,488	22%
Other	20	0	20	19	4%
Total Gen. PP&E	\$ 467,918	\$ (344,737)	\$ 123,181	\$ 114,542	8%



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Material Weaknesses: General Fund

Thirteen material financial statement weaknesses were reported in the FY 2005 Department of Defense Inspector General (DoDIG) Audit Report

- Financial Management Systems
- Fund Balance with Treasury
- General PP&E
- Environmental Liabilities
- Accounts Payable
- Accounting Adjustments
- Intragovernmental Transactions and Eliminations
- Accounts Receivable
- Inventory and Related Property
- Abnormal Account Balances
- Statement of Net Cost
- Statement of Financing
- Statement of Budgetary Resources



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Material Weaknesses: Army Working Capital Fund

Eight material financial statement weaknesses were reported in the FY 2005 DoDIG Audit Report

- Financial Management Systems and Processes
- Inventory and Related Property
- General PP&E
- Accounting Adjustments
- Accounts Payable
- Intragovernmental Eliminations
- Statement of Net Cost
- Statement of Financing



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Progress Since Year-End Briefing

- DFAS Corporate Database (DCD) – Developed interface standards with five systems. Army currently uses data from five systems and successfully eliminated manual data calls for property in Defense Property Accountability System, Defense Medical Logistics Standard Support, and the Corps of Engineers Electronic Management Information System.
- Accounting for Internal Use Software (IUS) – Army continues to identify and value IUS previously omitted from financial reporting. Acquisition value of IUS is \$553M as of 2nd Quarter, FY 2006, compared to \$284M as of 2nd Quarter, FY 2005.
- Accounting for Government Furnished Equipment (GFE) – Army completed 13 site surveys of government-owned, contractor-operated installations and implemented DPAS.
- CFO Strategic Plan – Conducted two in-process reviews to monitor tasks necessary for achieving audit opinion goals. Assigned individual responsibility to 1,200 tasks and produced preliminary costs of \$4B to complete.



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